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ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30th September		Change %
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	
Operations			
Turnover	389,209	492,007	(20.9)
Loss attributable to owners of the Company	(39,380)	(80,365)	N/A
Loss per share – Basic and diluted	(2.88) HK cents	(5.88) HK cents	N/A
	As at 30th September 2014 HK\$'000 (unaudited)	As at 31st March 2014 HK\$'000 (audited)	Change %
Financial position			
Total assets	819,000	840,000	(2.5)
Equity attributable to owners of the Company	404,000	396,000	2.0
Non-controlling interests	6,000	10,000	N/A

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2014 together with the comparative figures of the last corresponding period. The interim financial results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2014

	<i>Notes</i>	Six months ended 30th September	
		2014 HK\$’000 (unaudited)	2013 HK\$’000 (unaudited)
Turnover	3	389,209	492,007
Cost of sales		(303,524)	(373,944)
Gross profit		85,685	118,063
Other revenue		14,792	19,021
Distribution costs		(126,953)	(190,691)
Administrative expenses		(16,569)	(19,660)
Other income, net		3,896	999
Finance costs	4(a)	(4,317)	(7,121)
Loss before taxation	4	(43,466)	(79,389)
Income tax	5	–	(982)
Loss for the period		(43,466)	(80,371)
Attributable to:			
Owners of the Company		(39,380)	(80,365)
Non-controlling interests		(4,086)	(6)
		(43,466)	(80,371)
Loss per share	6		
Basic and diluted (HK cents)		(2.88)	(5.88)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30th September 2014

	Six months ended 30th September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(43,466)	(80,371)
	-----	-----
Other comprehensive (loss)/income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(4,797)	7,838
	-----	-----
Total other comprehensive (loss)/income for the period (net of nil tax)	(4,797)	7,838
	-----	-----
Total comprehensive loss for the period	(48,263)	(72,533)
	=====	=====
Attributable to:		
Owners of the Company	(44,177)	(72,527)
Non-controlling interests	(4,086)	(6)
	-----	-----
	(48,263)	(72,533)
	=====	=====

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2014

		As at 30th September 2014 <i>HK\$'000</i> (unaudited)	As at 31st March 2014 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		15,798	19,225
Prepaid lease payments		20,323	20,366
Investment properties		185,164	185,529
Available-for-sale investments		7,527	7,527
Rental deposits and prepayments		29,550	29,433
		258,362	262,080
Current assets			
Inventories		407,847	469,341
Prepaid lease payments		511	505
Trade and other receivables	8	46,785	64,368
Trading securities		8,238	3,676
Pledged bank deposits		3,317	3,303
Cash and cash equivalents		93,782	36,879
		560,480	578,072
Current liabilities			
Trade and other payables	9	224,018	206,377
Bank loans		92,292	135,449
Loans from a director		55,000	52,000
Provision for store closure		2,955	7,634
Current tax payable		3,571	3,548
		377,836	405,008
Net current assets		182,644	173,064
Total assets less current liabilities		441,006	435,144
Non-current liabilities			
Rental received in advance		2,004	2,042
Deferred tax liabilities		6,736	6,736
Other liabilities		22,716	19,886
		31,456	28,664
Net assets		409,550	406,480
Capital and reserves			
Share capital	11	273,373	273,373
Reserves		130,462	123,306
Equity attributable to owners of the Company		403,835	396,679
Non-controlling interests		5,715	9,801
Total equity		409,550	406,480

Notes:

1. GENERAL

The Group is principally engaged in trading and retailing of watches and property leasing.

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company are situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 19th Floor, 9 Des Voeux Road West, Hong Kong, respectively.

The unaudited condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue by the Board of Directors on 27th November 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may be different from these estimates.

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HK (IFRIC) – Int 21	Levies

The Directors of the Company anticipate that the application of the new and revised HKFRSs have no material impact on the results and the financial position of the Group or the Company.

The Group has not early applied new or revised HKFRSs that have been issued but are not yet effective. The following new and revised standards, amendments and interpretations that have been issued but not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2011-2013 Cycle ² Financial Instruments ⁶
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³

¹ Effective for annual periods beginning on or after 1st July 2014 with limited exceptions.

² Effective for annual periods beginning on or after 1st July 2014.

³ Effective for annual period beginning on or after 1st January 2016.

⁴ Effective for first period beginning on or after 1st January 2016.

⁵ Effective for annual period beginning on or after 1st January 2017.

⁶ Effective for annual period beginning on or after 1st January 2018.

The Directors of the Company are assessing the impact of these new or revised HKFRSs on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the chief operating decision makers (“CODM”) for the purposes of resource allocations and performance assessments. The Group has presented two reportable segments: (i) sale of watches and (ii) properties leasing. No operating segments have been aggregated to form these two reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in the annual financial statements for the year ended 31st March 2014. Segment (loss)/profit represents the (loss) from/profit earned by each segment without allocation of central administration costs such as those finance costs and corporate costs which cannot be meaningfully allocated to individual segment. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All assets are allocated to reportable segments other than available-for-sale investments and other corporate assets.

All liabilities are allocated to reportable segments other than borrowings not attributable to individual segments and corporate liabilities.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating segment for the periods:

	For the six months ended 30th September 2014 (unaudited)				
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue	386,765	2,444	389,209	–	389,209
Turnover (<i>Note</i>)	<u>386,765</u>	<u>2,444</u>	<u>389,209</u>	<u>–</u>	<u>389,209</u>
Operating (loss)/profit	(42,730)	2,176	(40,554)	(2,527)	(43,081)
Interest income	36	–	36	–	36
Other income/(loss), net	(667)	–	(667)	4,563	3,896
Finance costs	(4,317)	–	(4,317)	–	(4,317)
Segment results	<u>(47,678)</u>	<u>2,176</u>	<u>(45,502)</u>	<u>2,036</u>	<u>(43,466)</u>
Income tax					–
Loss for the period					<u>(43,466)</u>
Depreciation and amortisation	<u>5,696</u>	<u>89</u>	<u>5,785</u>	<u>–</u>	<u>5,785</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2014.

As at 30th September 2014 (unaudited)					
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>560,523</u>	<u>195,844</u>	<u>756,367</u>	<u>54,948</u>	811,315
Available-for-sale investments					<u>7,527</u>
Total assets					<u>818,842</u>
Additions to non-current segment assets during the reporting period	<u>2,456</u>	<u>230</u>	<u>2,686</u>	<u>–</u>	<u>2,686</u>
Segment liabilities	<u>388,220</u>	<u>8,027</u>	<u>396,247</u>	<u>2,738</u>	398,985
Current tax payable					3,571
Deferred tax liabilities					<u>6,736</u>
Total liabilities					<u>409,292</u>

For the six months ended 30th September 2013 (unaudited)					
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue	489,564	2,443	492,007	–	492,007
Turnover (<i>Note</i>)	<u>489,564</u>	<u>2,443</u>	<u>492,007</u>	<u>–</u>	<u>492,007</u>
Operating (loss)/profit	(74,198)	2,180	(72,018)	(1,350)	(73,368)
Interest income	92	–	92	9	101
Other income, net	385	–	385	614	999
Finance costs	<u>(5,437)</u>	<u>–</u>	<u>(5,437)</u>	<u>(1,684)</u>	<u>(7,121)</u>
Segment results	<u>(79,158)</u>	<u>2,180</u>	<u>(76,978)</u>	<u>(2,411)</u>	(79,389)
Income tax					<u>(982)</u>
Loss for the period					<u>(80,371)</u>
Depreciation and amortisation	<u>14,291</u>	<u>104</u>	<u>14,395</u>	<u>–</u>	<u>14,395</u>

Note:

There were no inter-segment sales during the six months ended 30th September 2013.

As at 31st March 2014 (audited)					
	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>623,216</u>	<u>191,416</u>	<u>814,632</u>	<u>17,993</u>	832,625
Available-for-sale investments					<u>7,527</u>
Total assets					<u>840,152</u>
Additions to non-current segment assets during the reporting period	<u>16,983</u>	<u>–</u>	<u>16,983</u>	<u>–</u>	<u>16,983</u>
Segment liabilities	<u>412,028</u>	<u>8,030</u>	<u>420,058</u>	<u>3,330</u>	423,388
Current tax payable					3,548
Deferred tax liabilities					<u>6,736</u>
Total liabilities					<u>433,672</u>

Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, investment properties and rental deposits and prepayments. The geographical locations of non-current assets are based on the physical location of the assets.

	Revenues from external customers		Non-current assets	
	Six months ended 30th September 2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)	30th September 2014 <i>HK\$'000</i> (unaudited)	31st March 2014 <i>HK\$'000</i> (audited)
The People's Republic of China, excluding Hong Kong	<u>194,583</u>	260,751	<u>64,157</u>	65,957
Hong Kong (place of domicile)	<u>194,236</u>	228,859	<u>170,325</u>	170,266
Switzerland	<u>390</u>	2,397	<u>16,353</u>	18,330
	<u>389,209</u>	<u>492,007</u>	<u>250,835</u>	<u>254,553</u>

Information about major customers

For the six months ended 30th September 2014 and 2013, no revenue derived from transactions with a single customer represented 10% or more of the Group's total revenue.

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30th September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	2,848	4,553
Interest on convertible notes	–	1,684
Interest on loans from a director	1,469	884
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	4,317	7,121
	<hr/> <hr/>	<hr/> <hr/>

(b) Other items

	Six months ended 30th September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss/(gain)	981	(1,636)
Amortisation of prepaid lease payments	253	256
Depreciation for property, plant and equipment	5,532	14,139
Write-down/(reversal of write-down) of inventories, net	6,721	(2,284)
Staff costs including directors' fees and emoluments	34,561	44,229
Cost of inventories recognised as expenses	303,524	373,944
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30th September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current:		
Outside Hong Kong	–	982
	<u> </u>	<u> </u>

No Hong Kong Profits Tax has been provided for the period as the Group has no estimated assessable profits in Hong Kong for the six months ended 30th September 2014 and 2013.

Taxation for overseas subsidiary companies is provided at the appropriate current rates of taxation ruling in the relevant countries.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$39,380,000 (2013: HK\$80,365,000) and the weighted average number of 1,366,866,000 ordinary shares (2013: 1,366,866,000 ordinary shares) in issue during the period.

(b) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the six months ended 30th September 2013 because the outstanding convertible notes had an anti-dilutive effect on the basic loss per share.

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the six months ended 30th September 2014 and 2013.

7. DIVIDENDS

The Directors resolved not to pay any interim dividend for the six months ended 30th September 2014 (2013: Nil).

8. TRADE AND OTHER RECEIVABLES

The Group allows credit period of ranging from cash on delivery to 90 days to its customers. Included in trade and other receivables are debtors with the following aging analysis:

	As at 30th September 2014 <i>HK\$'000</i> (unaudited)	As at 31st March 2014 <i>HK\$'000</i> (audited)
Trade receivables		
Up to 90 days	9,606	17,853
91 to 180 days	538	1,361
181 to 365 days	2,844	3,181
Over 365 days	3,971	1,042
	<hr/>	<hr/>
	16,959	23,437
Allowance for doubtful debts	–	–
	<hr/>	<hr/>
	16,959	23,437
Other receivables	5,965	6,496
	<hr/>	<hr/>
Loans and receivables	22,924	29,933
Deposits and prepayments	23,861	34,435
	<hr/>	<hr/>
	46,785	64,368
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9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following aging analysis:

	As at 30th September 2014 <i>HK\$'000</i> (unaudited)	As at 31st March 2014 <i>HK\$'000</i> (audited)
Trade payables		
Up to 90 days	42,760	29,535
91 to 180 days	660	2,328
181 to 365 days	1,546	1,697
Over 365 days	4,533	4,281
	<hr/>	<hr/>
	49,499	37,841
Other payables and accrued charges	52,280	49,160
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	101,779	87,001
Rental received in advance	75	75
Deposits received	4,091	5,245
Other tax payable	118,073	114,056
	<hr/>	<hr/>
	224,018	206,377
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10. CONVERTIBLE NOTES

The movement of the liability component of the convertible notes is set out as below:

	<i>HK\$'000</i> (unaudited)
At 1st April 2013	32,237
Interest expenses	1,684
Redemption	(31,992)
Gain on redemption	(1,929)
	<hr/>
At 30th September 2013	–
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11. SHARE CAPITAL

	Number of shares <i>'000</i> (unaudited)	Amount <i>HK\$'000</i> (unaudited)
Authorised:		
At 1st April 2014 and 30th September 2014, Ordinary shares of HK\$0.2 each	<u>2,500,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st April 2014 and 30th September 2014, Ordinary shares of HK\$0.2 each	<u>1,366,866</u>	<u>273,373</u>

Note: As at 30th September 2014, the Company had 200,000,000 ordinary shares to be issued upon the share placing. The shares will be issued at HK\$0.255 per share. As at 30th September 2014, the proceeds from the share placing approximately HK\$49,797,000 after deducting the share issuance expenses of HK\$1,203,000 had been received by the Company.

12. PLEDGE OF ASSETS

The assets pledged for certain banking facilities of the Group were as follows:

	As at 30th September 2014 <i>HK\$'000</i> (unaudited)	As at 31st March 2014 <i>HK\$'000</i> (audited)
Land and buildings	688	733
Prepaid lease payments	521	524
Investment properties	137,900	137,900
Inventories	131,649	147,190
Pledged bank deposits	3,317	3,303
	<u>274,075</u>	<u>289,650</u>

13. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments.

Operating lease commitments – as lessor

The Group had total future minimum lease receivables under the non-cancellable operating leases with the tenants falling due as follows:

	As at 30th September 2014 HK\$'000 (unaudited)	As at 31st March 2014 HK\$'000 (audited)
Not later than one year	4,775	3,519
Later than one year and not later than five years	5,181	2,648
	<u>9,956</u>	<u>6,167</u>

Operating lease commitments – as lessee

The Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

	As at 30th September 2014 HK\$'000 (unaudited)	As at 31st March 2014 HK\$'000 (audited)
Not later than one year	135,930	141,286
Later than one year and not later than five years	457,404	477,262
Later than five years	22,201	39,619
	<u>615,535</u>	<u>658,167</u>

14. CONTINGENT LIABILITIES

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

15. EVENTS AFTER THE REPORTING PERIOD

- (i) On 24th September 2014, the Company, the Vendor and the Placing Agent entered into the Placing Agreement to place the Shares comprising up to 200,000,000 issued Shares owned by the Vendor at the price of HK\$0.2550 per Share.

The Vendor and the Company, upon their execution of the Placing Agreement, also entered into the Subscription Agreement to top up the shareholdings of the Vendor in the Company. Under the Subscription Agreement, the Vendor subscribed for the Subscription Shares in the equivalent number of the Placing Shares placed out. The Subscription Shares were issued at HK\$0.2550 per Share, being equivalent to the Placing Price. On 8th October 2014, the Company had issued 200,000,000 ordinary shares pursuant to the Subscription Agreement.

- (ii) In October 2014, 冠亞名表城(上海)貿易有限公司, a wholly owned subsidiary, entered into a loan agreement (the “Agreement”) with a bank in the PRC. Under the Agreement, the subsidiary was granted a loan of RMB5 million (equivalents to approximately HK\$6.3 million) for a period of six months. The bank loan is unsecured and has been used for purchase of inventories. 冠亞名表城(上海)貿易有限公司 repaid the existing outstanding bank loans of RMB16 million (equivalents to approximately HK\$20.2 million) on 8th October 2014.

16. SEASONALITY OF OPERATION

The Group’s business in sale of watches is subject to seasonal fluctuations, with higher sales amount in the first and fourth quarters of the calendar year. This is due to holiday periods. The Group’s business in investment holding has no specific seasonality factor.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2014, the Group's consolidated turnover amounted to HK\$389 million, representing a decrease of 21% (2013: decrease of 15%) from HK\$492 million in the same period of last year due to the decrease in the number of stores and the decrease in average same store sales for the reporting period by 12% over the corresponding period in last year. Gross profit margin dropped 2% to 22% due to intense market competition.

Distribution costs decreased by 33% to HK\$127 million was mainly due to the decrease in rental expenses, staff related costs and depreciation charges. Administrative expenses decreased by 16% to HK\$17 million was mainly attributable to the reduction of shop closure expenses as compared with last year. Other income increased by HK\$3 million to HK\$4 million in this period was due to the increase in unrealised gain on trading securities valued at fair value. Finance costs decreased by 39% to HK\$4 million in this period was the result of the decrease in borrowings and repayment of convertible notes in September 2013.

Liquidity and financial resources

As at 30th September 2014, the Group's total cash balance amounted to HK\$97 million (31st March 2014: HK\$40 million). The increase was mainly due to the receipt of the placing proceeds pursuant to the completion of the placing of 200 million existing shares of the Company in late September 2014. Gearing rate of the Group, expressed as a ratio of total borrowing over total equity, was 36% as at 30th September 2014 (31st March 2014: 46%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks and, when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments.

Prospect

The Group has basically closed down majority its non-performing stores and streamlined its operation to focus on its few core stores in the prime locations of the first and second tier cities in China and Hong Kong. These core stores include our flagship stores in Beijing Macau Centre, Shanghai Nanjing Road West and Canton Road in Hong Kong respectively. This enables us to concentrate our resources and rebuild our strength in these core stores.

Chinese luxury continues to face a government-led antipathy towards flashy luxury accessories, with practices such as gift-giving undermined by anti-corruption drives. Despite this, China's appetite for luxury remains strong. Chinese consumers represent the top and fastest growing nationality for luxury, spending abroad more than three times what they spend locally.

The Group is determined to rebuild its financial strength and turnaround its business.

On behalf of the Group, we sincerely thank for the kind patience of our shareholders and continuous supports of our customers, suppliers and associates.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the period ended 30th September 2014 except for the deviation from the code provisions A.4.1 and D.1.4 and those discussed below:

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the “1989 Act”). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws.

As the Company is bound by the provision of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, a special resolution was passed at the special general meeting held on 28th March 2007 to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

To enhance good corporate governance practices, Mr. Eav Yin, the Chairman of the Board has confirmed to the Board that he will voluntarily retire from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting.

The Chairman is Mr. Eav Yin while the function of the chief executive officer is divided between the remaining executive directors.

Code provision A.4.1 of the Code provides that non-executive director should be appointed for a specific term, subject to re-election.

During the period, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

Code provision D.1.4 stipulates that directors should clearly understand delegation arrangements in place. Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments.

The Company has not entered into any written letters of appointment with its Directors. However, the Board recognises that (i) the Directors have already been subject to the laws and regulations applicable to directors of a company listed on The Stock Exchange of Hong Kong Limited, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its shareholders; (ii) all of them are well established in their professions and (iii) the current arrangement has been adopted by the Company for several years and has proven to be effective. Therefore, the Board considers that the Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Compliance of the Model Code for Securities Transaction by Directors of Listed Issuers

The Company has adopted a code for securities transactions by Directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Code of Conduct throughout the period under review.

OTHER INFORMATION

Interim Dividend

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2014 (2013:Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities during the six months ended 30th September 2014.

Employees and Remuneration Policy

There were 258 employees in the Group as at 30th September 2014. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and share awards are offered to motivate employees.

By order of the Board
Asia Commercial Holdings Limited
Cheng Ka Chung
Company Secretary

Hong Kong, 27th November 2014

As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Mr. Eav Ming Keong, Kinson and Mr. Duong Ming Chi, Henry as executive directors, Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors.

* *For identification purpose only*